



PULASKI BANK

James C. East
Chairman Of The Board

February 16, 2006

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Board of Governors of the Federal Reserve System (Docket # .OP-1248)
Concentrations in Commercial Real Estate Lending, Sound Risk Management
Practices

Dear Ms. Johnson:

We are a \$475 million community bank located in Little Rock, Arkansas. For thirty years, secured real estate lending has been the backbone of our lending platform. Many types of credit are not feasibly available to our bank and to other typical commercial banks, such as asset based lending, nationwide credit card portfolios, participations in large lines to Fortune 500 companies, etc. While margins have declined significantly over the past five to ten years, loans nevertheless continue to constitute the primary means by which a community bank makes a profit. While we understand the objective of the proposed guidance, we believe it may in fact have the opposite result. That is, if banks can not, without an undue regulatory burden, engage in secured real estate lending, then many banks will seek out and begin to enter other areas of lending, which are perhaps even more risky, such as lines of credit for inventory and accounts receivable, unsecured lending, or loans for other purposes, which would not provide the same protection as real estate collateral. Further, we believe that this proposal goes well beyond what might be needed to constrain those banks which tend to over reach and lend money in an unsound and unsafe way.

Secondly, while the guidance proposes that a bank can exceed the minimums if it puts in place all of those controls as outlined, it seems obvious that this guidance will nevertheless reduce available credit to an extremely important part of our economy.

At this point, we have no idea what it would cost to do everything as outlined but it is obvious that it would be extremely expensive for banks and add needlessly to the regulatory burden.

The ratios for our bank today would be approximately 160% of capital in the first category and some 330% in the second category. We believe that the limits are too low, and that they should be substantially increased. We are enclosing a summary report prepared from the most recent call reports outlining the status of a number of banks in our trade area. As you can see, all the banks substantially exceed the proposed thresholds.

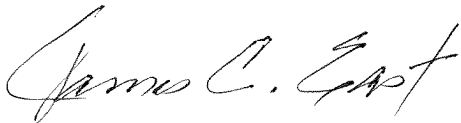
We would add that you can not completely regulate risk from the system. There will always be those that lend in an unsafe and unsound manner, and it would be unwise and unfair to impose these extremely restrictive percentages on the vast majority of banks which have the common sense and good management to act otherwise.

These comments regarding the proposed Guidance are on behalf of the full Board of Directors of the bank.

In closing, we would ask that you reconsider this entire proposal. At the very least, the ratios of loans to capital should be increased substantially and the degree of monitoring should be revised to allow community banks to function without undue regulatory burden.

Sincerely,

PULASKI BANK AND TRUST COMPANY

A handwritten signature in cursive script, appearing to read "James C. East".

James C. East
Chairman of the Board

JCE:jlb
Enclosure

Cc: J. Hunter East
Robert C. Magee
Mark V. Williamson
Dr. Kent Westbrook
David Snowden
Albert Braunfisch

Area Banks

Schedule of Possible Commercial Real Estate Concentrations

December 31, 2005

Description	Bank of Ozark 12/31/05	Metropolitan 12/31/05	First Security 12/31/05	Twin City 9/30/05	Pulaski Bank 12/31/05	One Bank 12/31/05	Average Area Banks	Proposed Regulatory Threshold
Tier 2 Capital	176,979,000	101,806,000	96,960,000	56,434,000	48,208,000	28,088,000	84,745,833	
Construction, Land development and other land loans	353,552,000	197,966,000	170,138,000	95,268,000	77,293,000	55,645,000	158,310,333	
Construction, LD and other land loans to Tier 2 Capital	199.77%	194.45%	175.47%	168.81%	160.33%	198.11%	186.81%	100.00%
Secured by MultiFamily	44,417,000	30,352,000	66,681,000	3,225,000	9,408,000	35,482,000	31,594,167	
Secured by NonFarm NonResidential Properties	375,628,000	260,411,000	188,358,000	126,599,000	72,500,000	40,551,000	177,341,167	
Construction, Land development and other land loans	353,552,000	197,966,000	170,138,000	95,268,000	77,293,000	55,645,000	158,310,333	
Total Secured by Property other than 1 to 4 Family Residential/Farmland	773,597,000	488,729,000	425,177,000	225,092,000	159,201,000	131,678,000	367,245,667	
MultiFamily, Commercial, Construction Property loans to Tier 2 Capital	437.11%	480.06%	438.51%	398.86%	330.24%	468.81%	433.35%	300.00%

Data based upon Call Reports